

**ORION COMMUNITY CABLE
COMMUNICATIONS COMMISSION
OAKLAND COUNTY, MICHIGAN
FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name ORION COMMUNITY CABLE COMM. COM	County OAKLAND
Fiscal Year End 12/31/06	Opinion Date 06/01/07	Date Audit Report Submitted to State 06/15/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

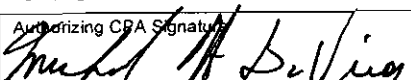
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MICHAEL H DEVRIES, CPA		Telephone Number 248-628-9200	
Street Address 837 S LAPEER ROAD		City OXFORD	State MI
		Zip 48371	
Authorizing CPA Signature 		Printed Name MICHAEL H DEVRIES	
		License Number 6739	



MICHAEL H. DeVRIES

CERTIFIED PUBLIC ACCOUNTANT

837 South Lapeer Road
Oxford, Michigan 48371
Telephone 248.628.9200
Fax 248.628.6107

June 1, 2007

To the Board of Directors
Orion Community Cable Communications Commission
Oakland County, Michigan

In planning and performing our audit of the financial statements of the Orion Community Cable Communications Commission (Commission) for the year ended December 31, 2006, the findings of which have been reported under separate cover.

1. The Commission should consider allocating more of their cash and certificates of deposit into Federal Deposit Insurance Corporation (FDIC) insured funds.

We found the accounts and records of the Commission to be in good condition. We would like to thank the administrative staff for the cooperation received throughout the course of our audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael H. DeVries'.

Michael H. DeVries
Certified Public Accountant

MEMBER

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ORION COMMUNITY CABLE COMMUNICATIONS COMMISSION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Orion
Community Cable Communications Commission

We have audited the accompanying financial statements of each major fund (General Fund), and the aggregate remaining fund information and account group of the Orion Community Cable Communications Commission (Commission), Oakland County, Michigan, as of and for the year ended December 31, 2006 as listed in the table of contents, which collectively comprise a portion of the Commission's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and management's discussion and analysis as required by Governmental Accounting Standards Board (GASB) 34. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Commission's activities and business-type activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Commission as of December 31, 2006, or the changes in its financial position, where applicable, for the year then ended.

MEMBER

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To the Board of Directors of Orion
Community Cable Communications Commission
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The budgetary comparison information on page 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respect in relation to the financial statements taken as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael H. DeVries". The signature is fluid and cursive, with the first name "Michael" being the most prominent part.

Michael H. DeVries
Certified Public Accountant

Oxford, Michigan
June 1, 2007

ORION COMMUNITY CABLE COMMUNICATIONS COMMISSION
BALANCE SHEET - GOVERNMENTAL
FUND TYPE AND ACCOUNT GROUP
DECEMBER 31, 2006

	Governmental Fund Type	Account Group
	General Fund	General Fixed Assets
ASSETS		
Cash in Bank	\$ 367,917	\$ -
Certificates of Deposit	628,785	-
Franchise Fees Receivable	103,625	-
Accrued Interest Receivable	2,294	-
Equipment	-	319,640
Office Equipment	-	11,262
Total Assets	\$ 1,102,621	\$ 330,902
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 1,670	\$ -
Fund Balance:		
Investment in General Fixed Assets	-	330,902
Un-designated	1,100,951	-
Total Liabilities and Fund Balance	\$ 1,102,621	\$ 330,902

ORION COMMUNITY CABLE COMMUNICATIONS COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>GENERAL FUND</u>
REVENUES	
Franchise Fees	\$ 376,801
P.E.G. Grant	25,000
Investment Income	<u>37,540</u>
Total Revenues	<u>439,341</u>
 EXPENDITURES	
Education and Training	880
Meals and Travel Expense	3,119
Membership Fees	980
Administrative Fees	3,631
ONTV Public Access Management Fee	289,600
General Insurance	297
Professional Fees	5,485
Contracted Liaison Person	12,444
Supplies	65
Grants (Capital Improvements)	<u>13,918</u>
Total Expenditures	<u>330,419</u>
 Excess (Deficiency) of Revenues Over Expenditures	 108,922
 Fund Balance - Beginning	 <u>992,029</u>
 Fund Balance - Ending	 <u><u>\$ 1,100,951</u></u>

ORION COMMUNITY CABLE COMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

(1) SUMMARY OF ACCOUNTING POLICIES

A summary of the Orion Community Cable Communications Commission's (Commission) significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. Reporting Entity

In accordance with Michigan Department of Treasury minimum requirements, these financial statements present the Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance, of the Commission. The Commission has elected to not adopt Governmental Accounting Standards Board (GASB) Statement No. 34.

B. Organization

The Commission adopted its bylaws in November of 1990 and was established by the Charter Township of Orion and the Village of Lake Orion (hereafter, Municipalities) for the purpose of administering the cable communications franchise for these two governmental units. The Commission consists of nine members, four members appointed by the Orion Township Board, four members appointed by the Lake Orion Village Council and one member appointed by joint resolution. The Commission is charged primarily with monitoring the franchise agreement and the performance of franchisees under the existing ordinance, encouraging the use of access channels within the two communities and supervising the interconnection of systems.

C. Basis of Presentation

The accounts of the Commission are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Commission are recorded in separate funds and account groups, categorized as follows:

Governmental Fund

The General Fund is used to account for all financial resources except those provided for in another fund.

Account Group

The General Fixed Asset Account Group presents the fixed assets the Commission utilizes in its operations. Fixed assets used in the general operation of the Commission are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets.

D. Measurement Focus / Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to revenues and expenditures that are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund types (General Fund) use a financial resource measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded under the modified accrual basis of accounting when the fund liability is incurred, if measurable. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The major sources of revenue are cable franchise fees and interest.

E. Fixed Assets

General fixed assets purchased are recorded as expenditures in the General Fund at the time of purchase. Such assets are capitalized in the General Fixed Assets Group of accounts. No depreciation is provided on General Fixed Assets.

F. Budget and Budgetary Accounting

The following procedures are instituted by the Commission in establishing the budgetary data reflected in the financial statements:

1. Prior to the next fiscal year, the treasurer submits a proposed budget to the Commission.
2. The Commission makes any recommendations or changes.
3. A public hearing is held.
4. After the public hearing, the budget must be approved by a joint resolution of the Orion Township Board and the Lake Orion Village council. The budget will not be effective until approved by both governmental units.
5. No Commissioner or employee of the Commission may expend any funds of the Commission except as appropriated by the Commission in keeping with the budgetary policy as adopted by the Commission. Changes in the amount appropriated by the Commission require approval by the Commission. There were changes to the original approved budget noted in the minutes.
6. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

G. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

(2) CASH AND INVESTMENTS

The captions on the Combined Balance Sheet relating to cash, certificates of deposit, and investments are as follows:

Cash in Bank	\$ 367,917
Certificates of Deposit	<u>628,785</u>
	<u>\$ 996,702</u>

The above amounts are classified by GASB statement No. 3 in the following categories:

Summary of Specific Accounts:

Checking Account	\$ 367,917
Certificates of Deposit	<u>628,785</u>
	<u>\$ 996,702</u>

These funds are in four financial institutions located in Oakland County. All accounts are in the name of the Commission. They are recorded in the Commission's records at cost. Interest is recorded when earned.

STATUTORY AUTHORITY

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Commission has designated four banks for the deposit of the Commission's funds. The Commission has adopted an investment policy in accordance with Public Act (P.A.) 196 of 1997. The Commission has funds invested in bank checking and certificates of deposit.

The Commission's deposits and investments are in accordance with statutory authority.

Michigan law (Section 3, Act 40, P.A. 1932, as amended) prohibits security in the form of collateral, surety bond, or any other form for the deposit of public money.

We estimate that the Federal Deposit Insurance Corporation (FDIC) insures approximately 40% of the Commission's deposits. We are unable to be specific due to the complexity of FDIC Regulation Number 330.8. This regulation, in summary, provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC in the following deposit accounts.

1. All demand, non-interest bearing accounts (checking) in the name of the authorized or statutory custodian (treasurer) of public funds.

2. All savings deposits, which include regular passbook, daily interest savings and time certificates of deposit in the name of the governmental unit's custodian.
3. The demand and savings accounts, as defined in items 1 and 2 above, for those bank accounts, in the name of a specific fund, when all of the following criteria are applicable:
 - (a) The fund is created by a specific state statute.
 - (b) The functions of the fund are specified by state statute.
 - (c) Money is allocated by state statute for the exclusive use of that fund and statutory function.

General Fund:	Per Institution	Per Books	Insured FDIC	Not Insured
Oxford Bank	\$ 370,191	\$ 367,917	\$ 100,000	\$ 270,191
Charter One Bank	170,946	170,946	100,000	70,946
Community Plus	196,583	196,583	100,000	96,583
National City Bank	261,256	261,256	100,000	161,256
	<u>\$ 998,976</u>	<u>\$ 996,702</u>	<u>\$ 400,000</u>	<u>\$ 598,976</u>

In accordance with GASB Statement 3, investments are classified into three categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the entity or its agents in the entity's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3: Un-collateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the name of the entity).

Investment Type:

	Category		
	(1)	(2)	(3)
Risk - Categorized			
Cash Equivalents	\$ 100,000	\$ 270,191	\$ -
Certificates of Deposit	<u>300,000</u>	<u>328,785</u>	<u>-</u>
Total Risk - Categorized			
Investments	<u>\$ 400,000</u>	<u>\$ 598,976</u>	<u>\$ -</u>

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

(3) RELATED PARTY TRANSACTIONS

GASB Codification Sec. 2300.107 requires that governmental entities disclose related party transactions. The Financial Accounting Standards Board (FASB) Statement No. 57 defines a related party as:

...principal owners of the enterprise; its management; members of the immediate family of principal owners of the enterprise and its management; and other parties with which the

enterprises may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties may be prevented from fully pursuing its own separate interests. Another party is also related if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The Commission has not engaged in related party transactions.

(4) RISK MANAGEMENT

The Commission carries commercial insurance primarily for protection from personal property loss, theft, and personal injury. For the three previous years, commercial insurance claims have not exceeded the amount of coverage as provided for by the policy.

(5) GENERAL FIXED ASSETS

Fixed assets used in governmental fund type operations (General Fixed Assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds.

A General Fixed Assets Group of Accounts was initiated June 30, 1991. Because historical facts were unknown in several instances, an estimate was used for the asset basis where cost could not be determined. Although the total does not represent true costs, it is a fair representation of the general fixed assets owned by the Commission. All acquisitions subsequent to June 30, 1991 are being recorded at cost. No depreciation has been provided on the General Fixed Assets Group.

The account group is not "funds." It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

(6) CHANGES IN GENERAL FIXED ASSETS

A summary of the changes in general fixed assets follows:

	Balance at 1/1/2006	Additions	Deductions	Balance at 12/31/2006
Equipment	\$ 319,640	\$ -	\$ -	\$ 319,640
Office Equipment	11,262	-	-	11,262
Investments in				
General Fixed Assets	<u>\$ 330,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,902</u>

(7) ONTV MANAGEMENT AGREEMENT

The Commission signed a three-year agreement with Orion Neighborhood Television Corporation (ONTV) (a Michigan nonprofit corporation), in effect March 8, 2001 thru March 7, 2004. On February 12, 2004 this agreement was extended until February 28, 2007. The Commission signed a new three-year agreement with ONTV on February 8, 2007. The terms of the agreement commence on March 1, 2007 and end on February 28, 2010.

The 2006 amount paid to ONTV was \$289,600. Payments were remitted quarterly based upon ONTV's budget. Per the agreement, ONTV assumes the normal daily operation of the public access channels.

(8) EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan P.A. 2 of 1968, as amended, the *"Uniform Accounting and Budgeting Act,"* provides that a local unit shall not incur expenditures in excess of the amount appropriated (Section 18(1)). In the body of the financial statements, the Commission's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a line item basis. The approved budget of the Commission for this budgetary fund was adopted on the line item level.

For the year ended December 31, 2006, the Commission did not incur expenditures in this budgetary fund that were in excess of the amounts appropriated. The following is a comparison of the Commission's adopted budget as compared to actual expenditures:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Education and Training	\$ 4,000	\$ 880	\$ 3,120
Meals and Travel Expense	12,000	3,119	8,881
Membership Fees	1,100	980	120
Administrative Fees	4,000	3,631	369
ONTV Public Access Management Fee	289,600	289,600	-
General Insurance	3,000	297	2,703
Professional Fees	10,000	5,485	4,515
Contracted Liaison Person	14,000	12,444	1,556
Programming and Recognition	200	-	200
Supplies	200	65	135
Grants (Capital Improvements)	<u>51,800</u>	<u>13,918</u>	<u>37,882</u>
Total Expenditures	<u>\$ 389,900</u>	<u>\$ 330,419</u>	<u>\$ 59,481</u>

(9) GASB 34

The Commission chose not to adopt GASB 34, which is required by GAAP. This departure from GAAP is also noted in the Independent Auditor's Report and is the cause for an adverse opinion.

(10) SUBSEQUENT EVENT

The Commission signed a new three-year management agreement with ONTV on February 8, 2007. The terms of the agreement commence on March 1, 2007 and end on February 28, 2010.

(11) CONCENTRATION OF CREDIT RISK

The Commission's major source of revenues is from Cable Franchise Fees. If the Government changes how fees are to be charged, this could effect the revenue.

There is \$598,976 of cash and certificates of deposit that are not insured by the FDIC.